
OLR Bill Analysis

sSB 1116

AN ACT CONCERNING THE USE OF CERTAIN REVENUES TO PROVIDE FUNDS FOR THE BUDGET RESERVE FUND.

SUMMARY:

This bill expands the funding sources for the Budget Reserve ("Rainy Day") Fund and increases its maximum balance from 10% to 15% of the net General Fund appropriations for the fiscal year in progress.

The bill also gives the Office of Policy and Management secretary the discretion to deposit any payment the state receives from a court settlement into the (1) state's trust fund for post-employment benefits, (2) State Employees Retirement Fund, or (3) Teacher's Retirement Fund.

EFFECTIVE DATE: Upon passage

BUDGET RESERVE FUND

Required Transfers

The bill requires the state treasurer to transfer to the Budget Reserve Fund net General Fund revenue for the fiscal year in progress in the (1) January 15 consensus revenue estimate that exceeds the estimated revenue contained in the most recent state budget act passed by the legislature and (2) April 30 consensus revenue estimate that exceeds the estimated revenue in the January estimate, excluding any amount transferred pursuant to the January estimate. The treasurer must transfer these amounts within five days after the comptroller issues his January and April cumulative monthly financial statements, respectively.

The bill also requires the treasurer to transfer to the fund any amount received from the sale of surplus state property.

Although current law and the bill direct the state treasurer to transfer to the fund any unappropriated surplus, exceeding required transfers, at the end of each fiscal year, two other laws override this requirement. By law, General Fund unappropriated surpluses (1) starting with FY 12, must be first used to reduce the state's accumulated General Fund deficit (i.e., generally accepted accounting principles (GAAP) deficit) and (2) from FY 10 through FY 17, must be used to redeem outstanding economic recovery notes (ERNs) before they mature and then to reduce the state's economic recovery revenue bonds (ERBs), which were never issued.

Maximum Balance

The bill increases the Budget Reserve Fund's maximum balance from 10% to 15% of the net General Fund appropriations for the fiscal year in progress. It makes a conforming change to the Endowment Fund Matching Grant program, which matches private donations to the state's higher education constituent units when the Budget Reserve Fund is fully funded.

By law, once the Budget Reserve Fund reaches the maximum, the treasurer may not transfer additional funds to it. Any remaining funds must go towards (1) the State Employees Retirement Fund's unfunded liability and (2) paying off outstanding state debt.

BACKGROUND

Related Bill

sSB 842, reported favorably by the Finance, Revenue and Bonding Committee, repeals the statutes requiring the use of unappropriated General Fund surpluses to (1) reduce the state's GAAP deficit and (2) redeem outstanding ERNs and ERBs. In doing so, the bill requires the state treasurer to transfer any unappropriated surplus, exceeding required transfers, at the end of each fiscal year to the Budget Reserve Fund.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 49 Nay 0 (04/12/2013)